

# Downtown Durham Rental Subsidy Program ***DRAFT GUIDELINES***

February 4, 2016



## TASK: Draft Guidelines for Downtown Rental Subsidy Program

Goal to provide city leaders with decision-making information for a downtown Durham rental assistance program, including:

- *Data analysis* of the downtown Durham market and housing situation of potential target population(s)
- *High level program design*, including potential target populations, tenant selection, payment parameters, monitoring, program management, and estimated program cost

# DEMOGRAPHIC AND HOUSING INFORMATION

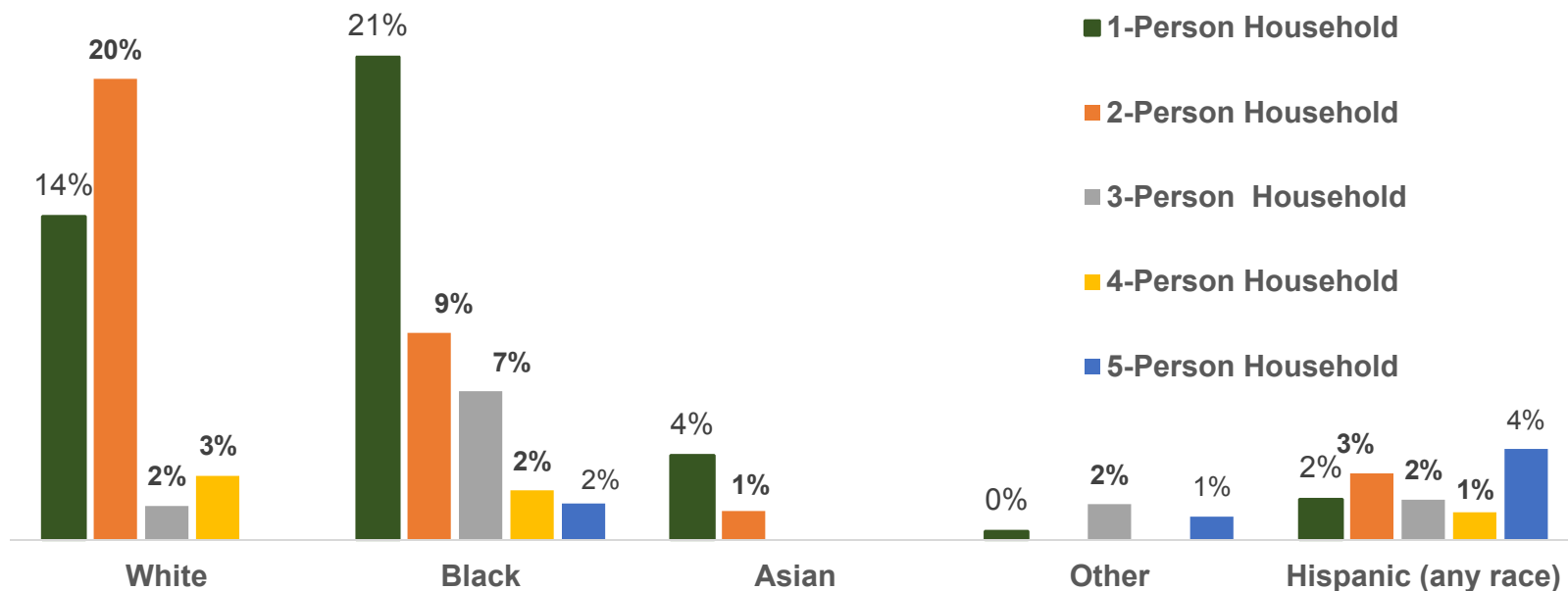
## Low-Income Households (51-80% AMI)

Citywide, there are approximately 16,500 low-income households (incomes between 51-80% AMI).

Race/ethnicity of Head of Household	Number	%
Black	6,754	41%
White	6,446	39%
Asian	829	5%
Other	494	3%
Hispanic (any race)	1,942	12%

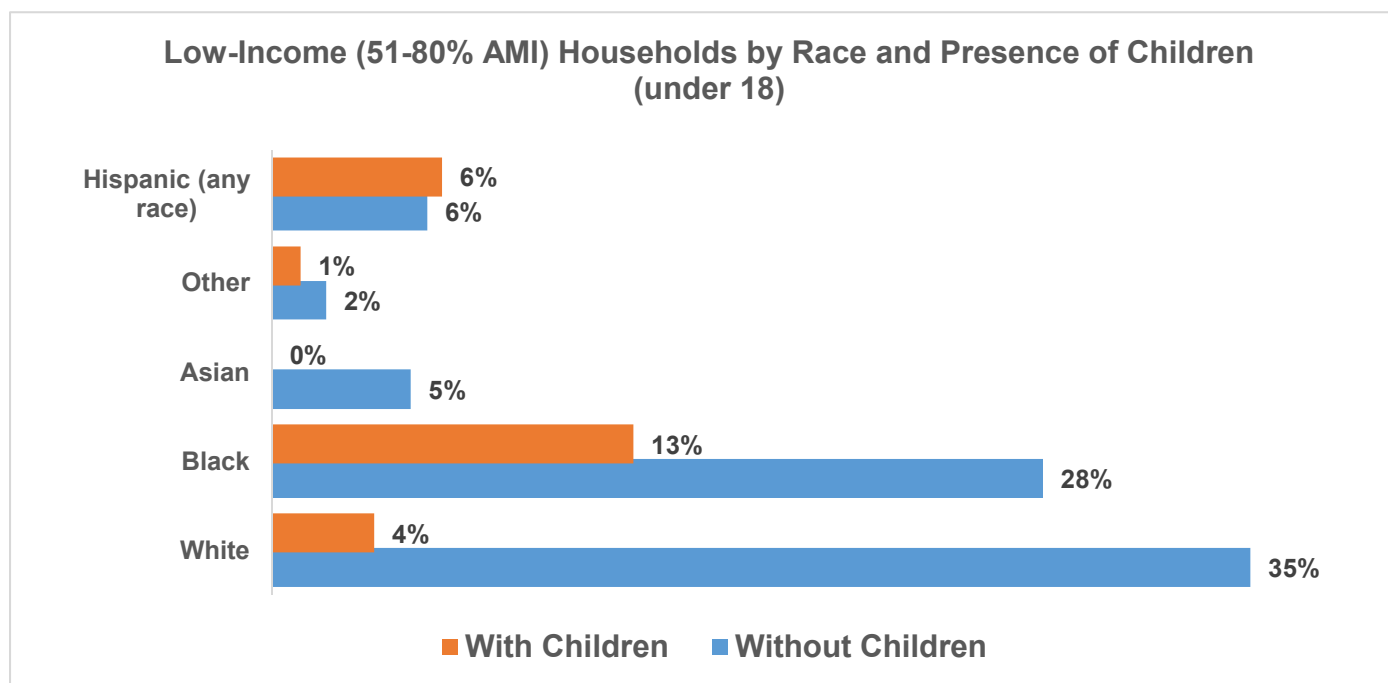
# Low-Income Households (51-80% AMI)

Low-Income (51-80% AMI) Households by Race and Household Size



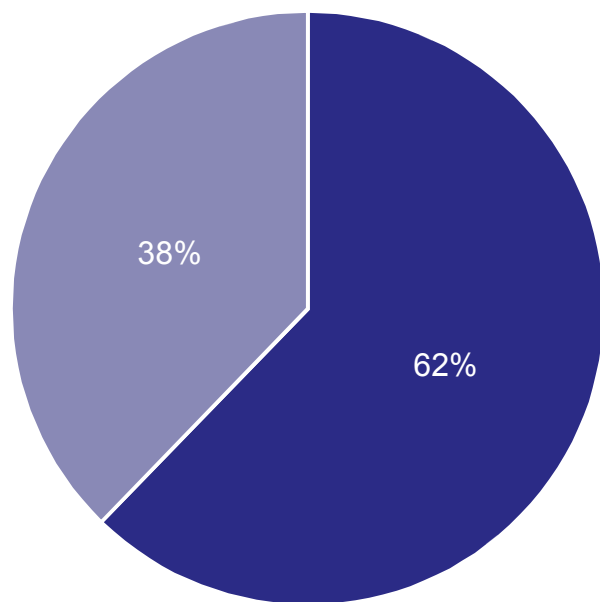
## Low-Income Households (51-80% AMI)

24% of low-income households include children under the age of 18.



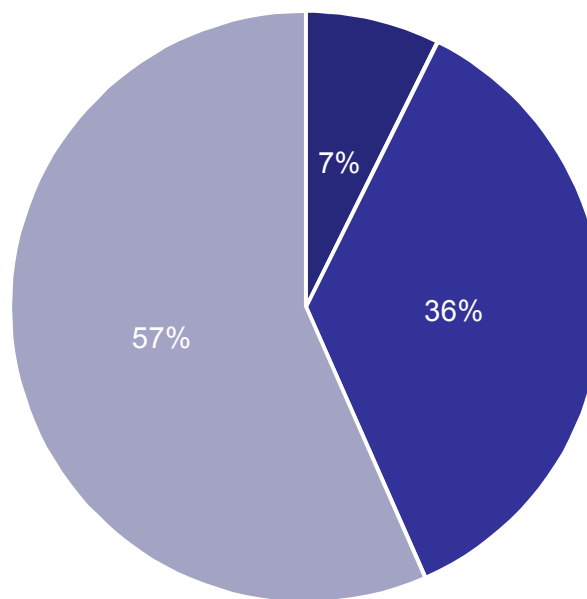
# Low-Income Households (51-80% AMI)

Low-Income Households by Housing Tenure



■ Renters ■ Owners

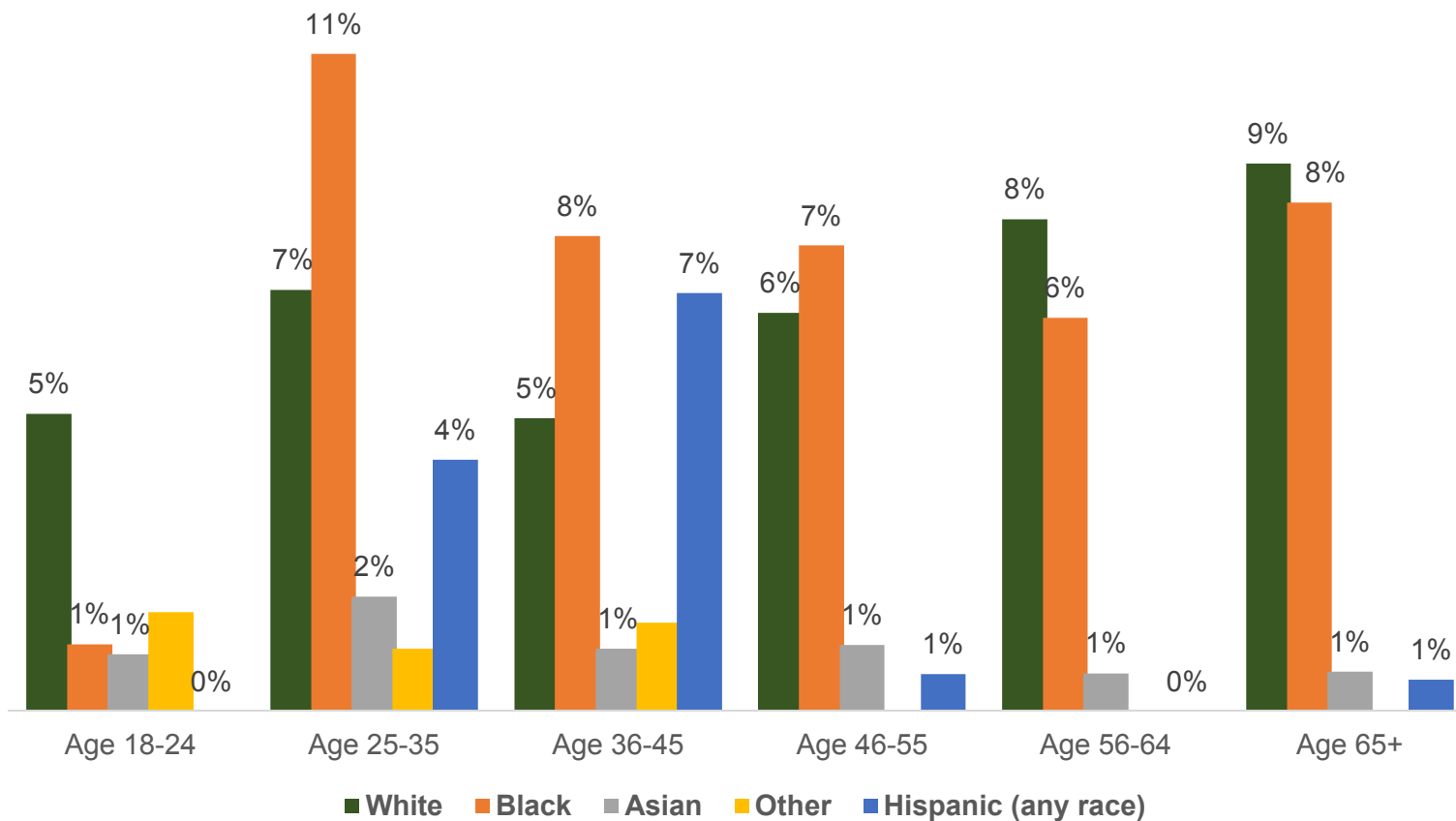
Low-Income Renters by Housing Cost Burden



■ Severely cost burdened ■ Moderately cost burdened  
■ Not cost burdened

# Low-Income Households (51-80% AMI)

Low-Income (51-80% AMI) Households by Race and Age of Householder

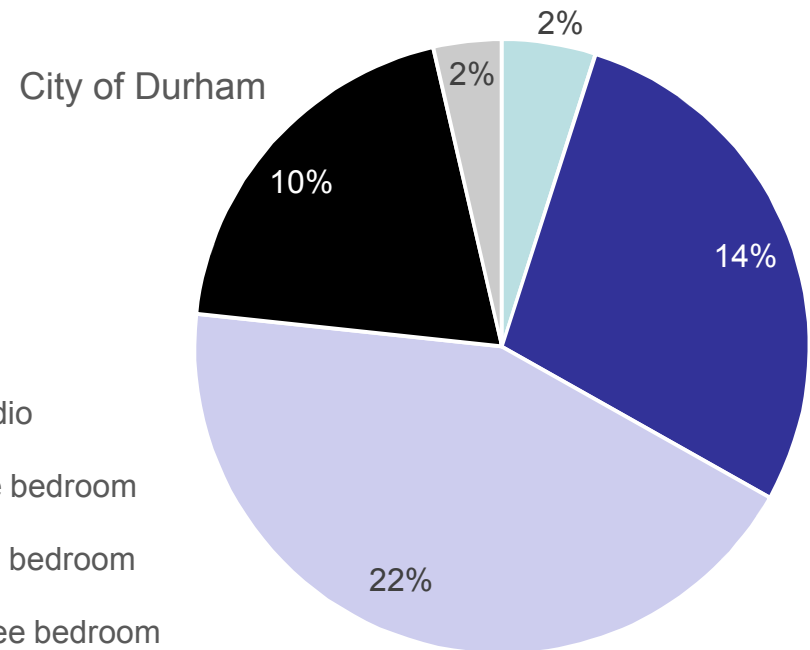
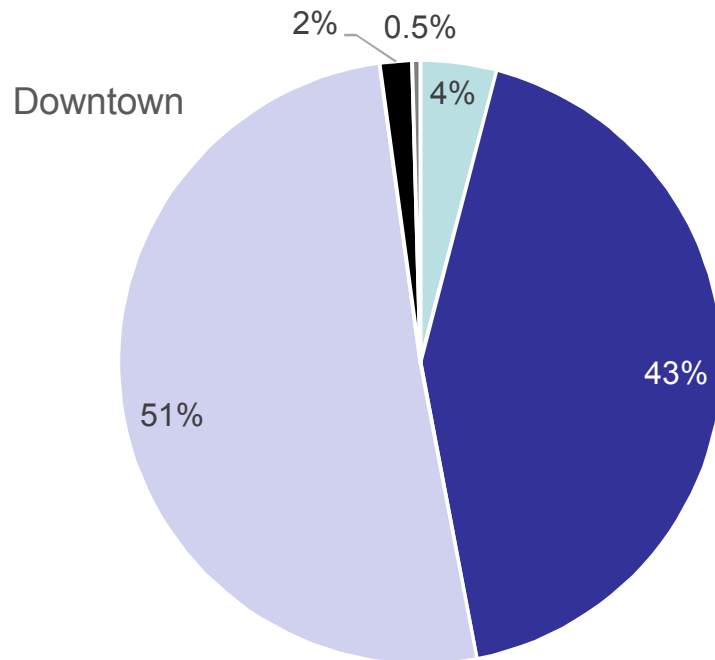




# Downtown rental market

There are 833 apartments downtown, plus another 380 under construction. As of October 2015, these properties had a 16% vacancy rate.

## *Rental units by bedroom*



- Studio
- One bedroom
- Two bedroom
- Three bedroom
- Four bedroom



## Downtown rental market

Larger, newer rental properties in the downtown area have higher average rates than the citywide median rent (\$714) or HUD FMRs.

**Average Monthly Rents**

Unit Size	Downtown (50+ units buildings)	Citywide (50+ unit buildings)	2015 FMR
Efficiency	\$1,005	\$828	\$597
1 BR	\$1,270	\$883	\$737
2 BR	\$1,522	\$989	\$874
3 BR	\$2,427	\$1,097	\$1,127
4 BR	\$2,466	\$2,466	\$1,320
All	\$1,413	\$955	-

# DRAFT PROGRAM GUIDELINES

# Target Population

- Incomes between 60-80% of AMI

2015 Durham-Chapel Hill Metro Area Income Limits	1 person	2 person	3 person	4 person
60% AMI limit	28,320	32,400	36,420	40,440
80% AMI limit	37,750	43,150	48,550	53,900

- Residency period in City of Durham – five years proposed
- Could add focus on specific employment sectors (e.g. teachers, downtown workers)

# Program Requirements

- **Tenant requirements**
  - Meet program eligibility requirements and agree to program rules
  - Pay rent equal to 30% of gross household income (less a utility allowance)
  - Maximum period of assistance is two years - one year initially with option to renew for one year (subject to funding availability)
- **Property requirements** – To participate in program, property owners must agree in writing to abide by payment standard and other program requirements (e.g. inspections, reporting)
- **Administering agency:** Department of Community Development

# Payment Standard

- Payment standard is the maximum rent that a program participant can pay for unit.
- City would pay the difference between 30% of household income, less utility allowance, and this standard.
- Four payment standards suggested:
  1. Fair Market Rent
  2. Average downtown market rent
  3. Lowest downtown market rent
  4. Average citywide rent for properties with 50+ units

Other variations possible – e.g. X% of average downtown market rent.

# Payment Standard

## Option 1: HUD Fair Market Rent

- Efficiency: \$632
- One Bedroom: \$787
- Two Bedroom: \$926
- Three Bedroom: \$1,247
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$76/mo or \$912/yr.

## Option 2: Average Downtown Market Rent

- Efficiency: \$1,005
- One Bedroom: \$1,270
- Two Bedroom: \$1,522
- Three Bedroom: \$2,427
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$672/mo or \$8,064/yr.

## Option 3: Lowest Downtown Market Rent

- Efficiency: \$875
- One Bedroom: \$1,095
- Two Bedroom: \$1,313
- Three Bedroom: \$2,198
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$463/mo or \$5,556/yr.

## Option 4: Average City- wide Rent for Properties with 50+ units

- Efficiency: \$828
- One Bedroom: \$883
- Two Bedroom: \$989
- Three Bedroom: \$1,097
- Cost Assumptions for a 2BR
- \$850 represents 30% of household income
- City portion of rent would equal \$139/mo or \$1,668/yr.

# Process

0. *Startup (document preparation, property recruitment, development of tenant recruitment strategy and materials)*
1. Marketing and tenant recruitment
2. Tenant approval
3. Voucher issuance
4. Request for unit approval
5. Lease execution
6. Monthly reporting
7. Lease renewal



# Estimated Cost

## Sample Program Cost to Serve 50 Households per Year

	FMR	Average Downtown	Lowest Downtown	Average Citywide
<b>Per unit per month</b>				
Monthly rent for unit	\$926	\$1,522	\$1,313	\$989
Tenant contribution	\$850	\$850	\$850	\$850
City contribution	\$76	\$672	\$463	\$139
<b>Total program per year</b>				
Rental subsidy	\$45,600	\$403,200	\$277,800	\$83,400
<b>Staffing requirements</b>	Approximately 0.5 FTE			

## Additional downtown strategies targeting 60-80% AMI households

1. Rental subsidy program
2. Buy affordability in existing buildings
3. Develop 60-80% AMI units as part of affordable rental housing development on city-owned land
4. Redevelop DHA's Liberty Street property and surrounding publicly-controlled land to provide a range of housing options, as well as office and retail opportunities